

**Business Area: Acquisition Process
Cost Management/ABC Implementation Plan**

Section I: Define the Business Area	3
1.1 Description	3
1.1.1 Business Area Name	3
1.1.2 Address	3
1.2 Mission Statement	3
1.3 Organizational Structure	4
1.3.1 Number of employees (Total by End Strength Mil/Civ):	4
1.3.3 Organizational Chart (by location)	5
1.4 Business Area funding sources	5
1.5 Products and Services:	5
1.6 Major Customers:	5
 Section II: Baseline Your Cost Management/ABC Efforts – (explain your existing Cost Management program, ABC/M or otherwise)	 5
2.1 Overview of your current Business Area Cost Management/ABC initiatives if any (include location, size, purpose, software, and POC, etc.)	5
2.1.1 Current ABC efforts (by site)	5
2.1.2 Existing MIS used to manage costs	5
2.1.3 Other Cost Measurement methodology (Job Order, Process, Target, etc.)	6
2.2 Assessment of Employment Cost Management Skills	7
2.2.1 Management Level Skills Trained to do ABC/M	7
2.2.2 Staff-Level Cost Management Skills Trained to do other CM Technologies	7
2.3 Existing Cost Accounting Systems	7
2.3.1 Location:	7
2.3.2 Type System:	8
2.3.3 Methodology: None	8
2.3.4 Does it Feed a Cost Management or Decision Support System?	8
2.4 Describe Current Performance Management System(s)	8
2.4.1 What performance metrics do you use?	8
2.4.2 How do you use your performance metrics to manage?	8
2.4.3 How and what performance measures support the Government Performance Results Act?	
2.4.4 Are your performance measures aligned with your cost management systems?	9
 Section III: Describe Full Implementation of Cost Management/ABC	 9

3.1 Describe your end-state vision for Cost Management/ABC (from both Strategic and Operational Perspective)	9
3.1.1 Cost Management (How will you use Cost Management to drive continuous and process improvement? How will you create a cost management culture?)	9
3.1.2 ABC (If ABC is a cost measurement choice, how will it be used and how will you report with it.)	9
3.1.3 Performance Measurement for Management	10
3.1.4 Quality Program	10
3.2 Describe how your Cost Management / ABC program will be integrated vertically and horizontally	10
3.3 Provide Statement of Cost Management Goals and Objectives.....	10
 Section IV: Describe Plan to Get from Baseline to Full Implementation	11
4.1 Describe your Strategic and Operational-level Plans as follows:	11
4.1.1 Goals and Objectives for Implementation.	11
4.1.2 Concept of Operations	11
4.1.3 Size and Scope.	11
4.1.4 Roles and Responsibilities	12
4.1.5 Implementation schedule	12
4.1.6 Identify any planned prototypes:	12
4.1.7 Proposed initial training program	12
4.1.8 Identify software requirements (Software to be centrally procured).	13
4.1.9 Define criteria for assessing ABC as a cost-measurement tool.....	13
4.2 Performance Measures	13
4.2.1 Describe how you will develop performance metrics.	13
4.2.2 How will performance be measured and evaluated?.....	13
4.2.3 How will performance measure support continuous improvement ..	16
4.2.4 How will performance measures be linked to strategic goals and objectives	16
4.3 Indicate how your Cost Management / ABC program will be sustained and improved.....	16
4.4 Explain how you will provide training support for, model building, implementation, and sustainment	16
 Section V: Special Considerations	16
5.1 List Business-Area-unique requirements	16
5.2 Identify any implementation constraints or obstacles specific to your Business Area	16
5.3 Specifically describe how your Cost Measurement/ABC or other Cost Management activities that will relate to and support VAMOSC:	17

**Business Area: Acquisition Process
Cost Management/ABC Implementation Plan**

Section I: Define the Business Area

1.1 Description

1.1.1 Business Area Name: Acquisition Process

1.1.2 Address: Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) Affairs, 103 Army Pentagon, Washington, D.C. 20310-0103

1.1.3 ASA (ALT) POC (email, phone, fax): Primary: Tracey Goldstein, Email: <<mailto:Tracey.Goldstein@saalt.army.mil>>, phone: 703-614-8725, fax: 703-614-7372. Alternate: COL Bill Fast, Email: <<mailto:Bill.Fast@saalt.army.mil>>, phone: 703-614-5390, Fax: 703-614-7372.

1.2 Mission Statement

Assistant Secretary of the Army (Acquisition, Logistics, and Technology).

The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) (ASA(ALT)) serves, when delegated, as the Army Acquisition Executive, the Senior Procurement Executive, the Science Advisor to the Secretary, and serves as the senior research and development official for the Department of the Army. The ASA(ALT) also has the principal responsibility for all Department of the Army matters related to logistics. Among the responsibilities of the ASA(ALT) are-

- a. Executing the acquisition function and the acquisition management system of the Department of the Army.
- b. Advising the Secretary on all matters relating to acquisition and logistics management.
- c. Overseeing the logistics management function to include supply services, maintenance, transportation, and related automated logistics systems management.
- d. Appointing, managing, and evaluating Program Executive Officers and direct-reporting Program Managers.
- e. Managing the Army Acquisition Corps and the Army Acquisition Workforce.
- f. Representing the Department of the Army on the Defense Acquisition Board, the Nuclear Weapons Council Standing Committee, and the Conventional Systems Committee.
- g. Co-Chairing with the Vice Chief of Staff, Army the Army Systems Acquisition Review Council.
- h. Exercising the procurement and contracting functions, to include exercising the authorities of the agency head for contracting, procurement,

and acquisition matters pursuant to laws and regulations, the delegation of contracting authority, and the designation of contracting activities.

- i. Providing the Army policy representative to the Defense Acquisition Regulatory Council.
- j. Executing the research and development function, to include scientific and technical information, domestic transfer, advanced concepts and assessments, basic and applied research, and non-system specific advanced development.
- k. Directing the Army Science Board.
- l. Administering and overseeing research, development, test, evaluation, and acquisition programs, to include data/information exchange programs, cooperative research and development memoranda of understanding, and participating in international forums concerning the aforementioned subjects in coordination with the DUSA(IA).
- m. Reviewing in coordination with the DUSA(IA) the Army's International Affairs Plan to ensure that it is logistically sound and supportable and compatible with the Army's Research, Development, Acquisition, and Industrial Base Programs.
- n. Ensuring the production readiness of weapon systems.
- o. Integrating Manpower Personnel Integration (MANPRINT) and integrated logistics support into the materiel acquisition process.
- p. Applying the Defense Standardization and Specification Program.
- q. Overseeing the Army Industrial Base and Industrial Preparedness Programs.
- r. Managing the Department of the Army Competition Advocate Program.
- s. Supporting Department of the Army acquisition of space and strategic programs.
- t. Overseeing the Chemical Demilitarization Program and supervising the Program Manager for Chemical Demilitarization.

1.3 Organizational Structure

1.3.1 Number of employees (Total by End Strength Mil/Civ): Currently there are 40,076 endstrength Army Acquisition Corps (AAC) and Army Acquisition Workforce (AAW) positions. The breakout of these positions is as follows:

Civilian Endstrength	38234
Military Endstrength (Non-AMEDD)	1866

There are numerous employees that provide acquisition related work on a reimbursable and/or matrix basis. The numbers above do not include those individuals.

1.3.2 Management Structure/Chain of Command: The chain of command differs by PEO/PM and installation but ultimately, Army acquisition programs that are part of a PEO/PM structure PEOs/PMs fall under the jurisdiction of the Assistant Secretary of the Army (Acquisition, Logistics and Technology).

1.3.3 Organizational Chart (by location):

See attached organization charts in Appendix A.

1.4 Business Area funding sources (provide last three years of funding by NAF, APF, Obligation Authority).

<u>RC</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
ACFT	1,285,288	1,383,590	1,507,223	1,557,391
AMMO	998,302	1,182,555	1,161,425	1,209,317
MSLS	726,331	1,215,335	1,309,504	1,308,564
OPA	2,527,906	3,417,074	3,746,095	4,455,812
WTCV	<u>1,252,465</u>	<u>1,536,063</u>	<u>1,732,033</u>	<u>2,449,881</u>
PROC Total	6,790,292	8,734,617	9,456,280	10,980,965
RDTE	5,023,313	5,030,770	5,313,987	6,284,392
CHEM	551,683	772,140	1,022,602	977,946
RDA TOTAL	5,574,996	5,802,910	6,336,589	7,262,338

FY 1998 data is from the Probe_pb01_e table

FY 1999 - 2001 data is from the Probe_pb0203_af21_e

1.5 Products and Services:

Program Executive Offices produce a variety of weapon systems large number of products and provide a wide variety of services. The individual weapon systems are provided on the organization charts attached in section 1.3.3.

1.6 Major Customers:

Primary (direct) customers are the Major Commands (MACOMs) and CINCs. Secondary (indirect) customers are other government agencies, Congress and Foreign Military Sales.

Section II: Baseline Your Cost Management/ABC Efforts – (explain your existing Cost Management program, ABC/M or otherwise)

2.1 Overview of your current Business Area Cost Management/ABC initiatives if any (include location, size, purpose, software, and POC, etc.)

2.1.1 Current ABC efforts (by site): None

2.1.2 Existing MIS used to manage costs:

Earned Value Management (EVM) is the DoD mandated process through which contractors and program offices plan, oversee and manage the execution of risk based contracts. By the 5000 series DoD directives, EVM is required to be implemented on all contracts that are not Firm Fixed Price, Time and Materials or Level-of-Effort.

Implemented properly, EVM integrates program cost, schedule and performance into a data based management process that provides for timely and defensible insight into the contract progress against the scope of work. The goal of EVM is to ensure that contract risk is identified, managed and visible throughout the life of the contract and that there is effective management control over the cost, schedule and performance expectations of the contract.

The EVM process begins with a work plan. Contractors are required to establish their work plan in the form of a Performance Measurement Baseline (PMB). In it, the contractor breaks the contract work scope into work packages – increments of work that can be defined in some specificity, resourced (in people and dollars), scheduled and managed. Resources are identified for each work package, and the packages are scheduled over time to provide a baseline against which contract execution can be measured. The Contractor developed PMB is reviewed with the Government at an Integrated Baseline Review (IBR) within 6 months of contract initiation. Risks and mitigation opportunities are highlighted along with resources requirements and critical path scheduling for each work package encompassed by the contract scope of work. The objective of the IBR is to achieve a mutual, government and industry understanding of the risks in accomplishing the scope of work and the sufficiency of the PMB as a baseline for measuring performance of that work. Upon completion of the IBR, the contract execution can begin.

Each work package is assigned to a contractor Cost Account Manager (CAM) who is given responsibility for managing the execution of each work package. Data is collected on the resources expended in the execution of each work package. The EVM process compiles this data and reports actual resource expenditures that can be compared against those planned in the PMB. Credit for accomplishment of each work package is accumulated and compiled over all ongoing work packages. Deviations (or variances) are reported by comparing the actual cost of the work performed against that budgeted in the PMB and by comparing the amount of scheduled work that has been performed to date. The cumulative statistics provide an accurate reflection of the progress of the contract in terms of the PMB.

Analysis of the incoming data enables managers to identify opportunities to adjust resource expenditures, reschedule events, and otherwise manage the execution of the contract so as to minimize the deviations between the actual contract execution and the PMB. The data provides for consistent understanding, constructive management, and effective oversight of the involved contracts. History has shown EVM to be an effective way to manage risk-based contracts and to protect overruns in schedule and cost from escaping management attention and becoming unnecessarily large.

2.1.3 Other Cost Measurement methodology (Job Order, Process, Target, etc.): Acquisition programs utilize sound business practices and the contracts contain Work Breakdown Structures (WBS).

PEOs and PMs are mandated by the regulations and directives associated with the acquisition process to pursue cost management tools¹. The Cost as an Independent variable (CAIV) methodology will be used throughout the entire life cycle of the acquisition process to ensure operational capability of the total force is maximized for the given modernization investment. CAIV methodology entails the consideration of cost along with required system capabilities; cost is neither dominant nor dependent, but rather a peer with other capabilities. Cost will be formally considered for all Milestone reviews by conducting/updating an analysis that relates cost and all system capabilities to the system's battlefield contribution. This approach is not independent of all work to determine specific capabilities, rather it is part of it. Cost performance analyses will be conducted on a continuous basis throughout the life cycle.

- a. CAIV will be applied to ACAT I, II, and III programs. ACAT IV programs shall use CAIV as a guideline.
- b. PEOs and PMs shall plan for the conduct of cost performance tradeoff studies. Any plans will be documented as appropriate and directed by the Overarching Integrated Product Team (OIPT) and/or Working Level Integrated Product Team (WIPT).
- c. Aggressive cost targets for development, procurement, O&S and disposal must be established at each milestone review. Progress for achieving costs targets shall be presented at each milestone review.
- d. Cost-performance objectives and cost targets shall be included in procurement documents and contractor statements-of-work, as appropriate.

2.2 Assessment of Employment Cost Management Skills

2.2.1 Management Level Skills Trained to do ABC/M

2.2.1.1 Number with ABC Training (Certification): None

2.2.1.2 Number with On-the-Job Training: None

2.2.2 Staff-Level Cost Management Skills Trained to do other CM Technologies

2.2.2.1 Number with ABC Training (Certification): None

2.2.2.2 Number with On-the-Job Training: None

2.3 Existing Cost Accounting Systems

2.3.1 Location:

Cost accounting systems are located in individual PM and PEO offices as identified on the organizational chart as well as the locations of the contractors supporting the PEOs/PMs.

2.3.2 Type System:

Varies by PEO/PM and by individual contracts awarded for specific weapon systems. All systems meet regulatory guidelines as identified in AR 70-1 and the DoD 5000 series.

There is no one best way to structure an acquisition program so that it accomplishes the objectives of the Defense Acquisition System. Decision-makers and program managers shall tailor acquisition strategies to fit the particular conditions of an individual program, consistent with common sense, sound business management practice, applicable laws and regulations, and the time-sensitive nature of the user's requirement. Proposed programs may enter the acquisition process at various decision points, depending on concept and technology maturity. Tailoring shall be applied to various aspects of the acquisition system, including program documentation, acquisition phases, the timing and scope of decision reviews, and decision levels. Milestone decision authorities shall promote flexible, tailored approaches to oversight and review based on mutual trust and a program's dollar value, risk, and complexity.

2.3.3 Methodology: None

2.3.4 Does it Feed a Cost Management or Decision Support System?: Yes.

2.4 Describe Current Performance Management System(s)

2.4.1 What performance metrics do you use?

Currently, PEO/PMs use Contract Performance Measurement standards to measure performance goals, expenditures and future predictions based on an Acquisition Program Baseline (APB). DoDD 5000.1 establishes the following guideline:

Performance-Based Acquisition. In order to maximize competition, innovation, and interoperability, and to enable greater flexibility in capitalizing on commercial technologies to reduce costs, performance-based strategies for the acquisition of products and services shall be considered and used whenever practical. For products, this includes all new procurements and major modifications and upgrades, as well as the reprocurement of systems, subsystems, and spares that are procured beyond the initial production contract award. When using performance-based strategies, contractual requirements shall be stated in performance terms, limiting the use of military specifications and standards to Government-unique requirements only. Configuration management decisions shall be based on factors that best support implementation of performance-based strategies throughout the product life cycle.

2.4.2 How do you use your performance metrics to manage?

Performance metrics are used to manage acquisition program in accordance with DoD 5000.2R. Chapter 7 of DoD 5000.2R defines

the purpose and reporting requirements². Appendix A provides some excerpts for key related areas.

2.4.3 How and what performance measures support the Government Performance Results Act?

The GPRA of 1993 calls for vigorous implementation of performance measurement across federal agencies. By law, federal agencies must measure their programs by results or outcomes, not intentions or processes. The acquisition process has been continually monitored by the AAE and Congress to track performance against the programs APB and defense goals. Programs use the information to determine trade-offs based on fiscal constraints.

2.4.4 Are your performance measures aligned with your cost management systems?

Yes

Section III: Describe Full Implementation of Cost Management/ABC (Based on the Army's Strategic Cost Management Plan (Appendix A), describe your vision for implementation)

3.1 Describe your end-state vision for Cost Management/ABC (from both Strategic and Operational Perspective)

3.1.1 Cost Management (How will you use Cost Management to drive continuous and process improvement? How will you create a cost management culture?)

There is no one best way to structure an acquisition program so that it accomplishes the objectives of the Defense Acquisition System. Decision-makers and program managers shall tailor acquisition strategies to fit the particular conditions of an individual program, consistent with common sense, sound business management practice, applicable laws and regulations, and the time-sensitive nature of the user's requirement. Proposed programs may enter the acquisition process at various decision points, depending on concept and technology maturity. Tailoring shall be applied to various aspects of the acquisition system, including program documentation, acquisition phases, the timing and scope of decision reviews, and decision levels. Milestone decision authorities shall promote flexible, tailored approaches to oversight and review based on mutual trust and a program's dollar value, risk, and complexity.

3.1.2 ABC (If ABC is a cost measurement choice, how will it be used – cost / product improvement, A-76 support, pricing, etc.? And how will you report with it.)

Individual PEOs/PMs for purposes of managing their respective programs will use CM/ABC program at the local level. CM/ABC should focus on the PEO/PM operations that the PMs can influence and change based on the information garnered. Such operations include in-house, reimbursable, matrix support and support contractors. Information gained from the use of CM/ABC will be used by the individual PEO/PM and will not be

reported up the chain of command. However, the information obtained is intended as a metric to the PEO/PMs to establish efficiency targets, measure performance, analyze variances, make assessments and reevaluate expenditures. The individual PEO/PMs can maximize the benefits of CM/ABC by incorporating the findings into management meetings.

3.1.3 Performance Measurement for Management (will you incorporate performance measures with the Balanced Scorecard? Show linkages of operational performance objectives to Business Area Strategic Objectives).

The individual PEO/PM's will utilize and link strategic goals and objectives to performance measures that are relevant to the individual PEO/PM's. Every acquisition program shall establish program goals—thresholds and objectives—for the minimum number of cost, schedule, and performance parameters that describe the program over its life cycle. Thus, the decision to incorporate the balance scorecard approach will be at the discretion of the respective PEO/PM. The scorecard will be tailored to structure the system to fit the particular conditions of an individual program, consistent with common sense, sound business management practice, applicable laws and regulations, and the time-sensitive nature of the user's requirement. Program goals shall be linked to the DoD Strategic Plan and other appropriate subordinate strategic plans, such as Component and Functional Strategic Plans and the Strategic Information Resources Management Plan (*Paperwork Reduction Act of 1995*).

3.1.4 Quality Program (will your performance measures support your APIC program or other if you have one)?.

N/A

3.2 Describe how your Cost Management / ABC program will be integrated vertically and horizontally (in your reporting/authority responsibility).

Individual PEOs/PMs for purposes of managing their respective programs will use CM/ABC program at the local level. The ABC software will be tailored to structure the system to fit the particular conditions of an individual program, consistent with common sense, sound business management practice, applicable laws and regulations, and the time-sensitive nature of the user's requirement.

3.3 Provide Statement of Cost Management Goals and Objectives..

Fiscal constraint is a reality that all participants in the acquisition system must recognize. Cost must be viewed as an independent variable, and the DoD Components shall plan programs based on realistic projections of funding likely to be available in future years. To the greatest extent possible, the DoD Components shall identify the total costs of ownership, and at a minimum, the major drivers of total ownership costs. Consistent with the Chairman of the Joint Chiefs of Staff guidance on requirements generation, the user shall treat cost as a military requirement and state the amount the Department should be willing to invest to obtain, operate, and support the needed capability over its expected life cycle. Acquisition managers shall establish aggressive but realistic objectives for all programs and follow through by working with the user to trade off performance and schedule, beginning early in the program (when the majority of costs are determined).

When feasible, CM/ABC should be utilized to augment and manipulate information to enable management the ability to isolate and identify cost drivers influencing acquisition programs.

Section IV: Describe Plan to Get from Baseline to Full Implementation (Describe your procedures to achieve implementation at the strategic and operational level).

4.1 Describe your Strategic and Operational-level Plans as follows:

4.1.1 Goals and Objectives for Implementation.

The goals and objectives for implementation will vary by PEO/PM offices. Our initial goal is to provide guidance on the development of CM/ABC to the PEO/PM's once this plan is approved by CEAC. The PEO/PM's will then develop and implement individual plans based on the structure and information required by their organization. The CM/ABC plan will be utilized at the lowest possible level to allow flexibility in management.

4.1.2 Concept of Operations (include methodologies for managing cost):

Fiscal constraint is a reality that all participants in the acquisition system must recognize. Cost must be viewed as an independent variable, and the DoD Components shall plan programs based on realistic projections of funding likely to be available in future years. To the greatest extent possible, the DoD Components shall identify the total costs of ownership, and at a minimum, the major drivers of total ownership costs. Consistent with the Chairman of the Joint Chiefs of Staff guidance on requirements generation, the user shall treat cost as a military requirement and state the amount the Department should be willing to invest to obtain, operate, and support the needed capability over its expected life cycle. Acquisition managers shall establish aggressive but realistic objectives for all programs and follow through by working with the user to trade off performance and schedule, beginning early in the program (when the majority of costs are determined).

4.1.3 Size and Scope.

The Acquisition community abides by the 5000 series for all acquisition programs. The 5000 series identifies the scope for both the strategic and operational-plan. The acquisition strategy shall prescribe accomplishments for each acquisition phase, and shall identify the critical events that govern program management. The event-driven acquisition strategy shall explicitly link program decisions to demonstrated accomplishments in development, testing, initial production, life-cycle support, and the availability of capabilities, to be provided by other programs, on which this program depends. The acquisition strategy shall specifically address the benefits and risks associated with reducing lead-time through concurrency and the risk mitigation and tests planned if concurrent development is used. Events set forth in contracts shall support the appropriate exit criteria for the phase or intermediate development events, established for the acquisition strategy.

The acquisition strategy shall define the relationship among acquisition phases, work efforts, decision points, solicitations, contract awards, systems engineering design reviews, contract deliveries, test and evaluation (T&E) activities, production lots, and

operational deployment objectives. The PM shall depict these relationships in a summary diagram as part of the strategy.

As part of the acquisition strategy, the PM shall develop and document a support strategy for life-cycle sustainment and continuous improvement of product affordability, reliability, and supportability, while sustaining readiness. This effort shall ensure that system support and life-cycle affordability considerations are addressed and documented as an integral part of the program's overall acquisition strategy. The support strategy shall define the supportability planning, analyses, and trade-offs conducted to determine the optimum support concept for a materiel system and strategies for continuous affordability improvement throughout the product life cycle. The support strategy shall continue to evolve toward greater detail, so that by Milestone C, it contains sufficient detail to define how the program will address the support and fielding requirements that meet readiness and performance objectives, lower TOC, reduce risks and avoid harm to the environment and human health. The support strategy shall address all applicable support requirements.

4.1.4 Roles and Responsibilities:

The Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)), the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD(C3I)), and the Director of Operational Test and Evaluation (DOT&E) are key officials of the Defense Acquisition System. They may jointly issue DoD Instructions, DoD Publications, and one-time directive-type memoranda, consistent with DoD 5025.1-M (reference (h)), that implement the policies contained in this Directive. Any such issuance shall be jointly signed by the USD(AT&L), the ASD(C3I), and the DOT&E.

4.1.5 Implementation schedule (three-year timeline of major actions/events):

The PEO/PM's will then develop and implement individual plans based on the structure and information required by their organization. The CM/ABC plan will be utilized at the lowest possible level to allow flexibility in management.

4.1.6 Identify any planned prototypes:

A prototype model from the acquisition community will be solicited. CEAC will work with the prototype program to build and monitor the model based upon the unique needs of the acquisition process. CEAC and/or its representatives will provide training to the selected prototype for CM/ABC and follow-up on the progress and answer any concerns that may arise.

4.1.7 Describe proposed initial training program – in outline format. (How many to be trained? How will training resources be leveraged, i.e., train-the-trainer, etc.?)

Key personnel from each PEO/PM implementing ABC will be offered initial training through the Center for Economic Analysis (CEAC) on ABC, ABC software, and the Balance Scorecard concepts. The training will be provided by a group of contract employees (centrally funded by CEAC to include travel costs) on a one-time basis for key personnel identified (to be designated by the individual PEO/PM offices). The PEO/PM's will then have the flexibility to determine the methods within their respective organization to train additional personnel who will require knowledge of CM/ABC.

4.1.8 Identify software requirements (Software to be centrally procured).

As a minimum, we project that we will need a minimum of one centrally-procured software packages for each of the PEO structure entities and Non PEO Structure entities identified in the organization charts (Section 1.3.3.) to implement our ABC/CBM initiative.

4.1.9 Define criteria for assessing ABC as a cost-measurement tool.

The individual PEO/PM's will develop performance metrics that are in accordance with the DoD 5000 Series regulations. The individual PEO/PMs will assess ABC as a cost-measurement tool based on the benefits derived as a result of implementing CM/ABC.

4.2 Performance Measures

4.2.1 Describe how you will develop performance metrics.

The individual PEO/PM's will develop performance metrics that are in accordance with the DoD 5000 Series regulations.

4.2.2 How will performance be measured and evaluated?

The individual PEO/PM's will measure and evaluate their individual performance plans based on criteria developed by the Program Manager. As a minimum, the PEO/PM should consider requirements as identified in the DoD 5000.2 series. Updates/changes to the DoD 5000.2 supercedes guidance as presented in this document. As a minimum, the PEO/PM should consider the following:

Cost as an Independent Variable (CAIV)

In establishing realistic objectives, the user shall treat cost as a military requirement. The acquisition, including technology and logistics, and requirements communities shall use the CAIV process to develop total ownership cost, schedule, and performance thresholds and objectives. They shall address costs in the Operational Requirements Document (ORD), and balance mission needs with projected out-year resources, taking into account anticipated process improvements in both DoD and defense industries (*GPRA*³ and *CCA*⁴). CAIV trades shall consider the cost of delay and the potential for early operational capability.

Upon ORD approval (see *CJCSI 3170.01*), the PM shall formulate a CAIV plan, as part of the acquisition strategy, to achieve program objectives. Upon program initiation, each ACAT I and ACAT IA PM shall document total ownership cost (TOC) objectives as part of the APB. The complete set of TOC objectives shall include research, development, test and evaluation; procurement; military construction; operations and support; and disposal costs; as well as other indirect costs attributable to other systems, and infrastructure costs not directly attributable to the system. The MDA shall re-assess cost objectives and progress towards achieving them at each subsequent milestone.

Cost/Schedule/Performance Trade-Offs

The best time to reduce TOCs and program schedule is early in the acquisition process. Cost and schedule reductions shall be accomplished through continuous

cost/schedule/performance tradeoff analyses. Cost, schedule, and performance may be traded within the “trade space” between the objective and the threshold without obtaining MDA approval. Trade-offs outside the trade space (i.e., program parameter changes) shall require approval of both the MDA and the ORD approval authority. Joint Requirements Oversight Council (JROC)- or Principal Staff Assistant (PSA)-validated key performance parameters may not be traded-off without JROC or PSA approval, as appropriate. The PM and the operational requirements developer shall jointly coordinate all trade-off decisions.

Acquisition Program Baseline (APB)

Every acquisition program shall establish an APB beginning at program initiation. The APB shall document program cost, schedule, and performance thresholds and objectives. The PM shall base the APB on users' performance requirements, schedule requirements, and estimate of total program cost. Performance shall include interoperability, supportability and, as applicable, environmental requirements. The department shall not obligate funds for ACAT I or ACAT IA programs beyond Milestone B until the MDA approves the APB, unless the Under Secretary of Defense (Acquisition, Technology and Logistics (USD(AT&L)) or the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) (ASD(C3I)) specifically approves the obligation (10 USC 2435(b)⁵). The APB satisfies requirements derived from both 10 USC 2220(a)(1)⁶ and 10 USC 2435⁷.

Preparation and Approval

The PM, in coordination with the user, shall prepare the APB at program initiation; and shall revise the APB subsequent to milestone reviews, program restructurings, or unrecoverable program deviations. The Program Executive Officer (PEO) and the Component Acquisition Executive (CAE), as appropriate, shall concur in the APB. For ACAT I and IA programs, the MDA shall retain approval authority, but shall not approve the APB without coordination of the Under Secretary of Defense (Comptroller) (10 USC 2220(a)(2)⁸) and the JROC or appropriate PSA. If an ACAT IA program, the MDA shall coordinate with the PSA in place of the JROC (where applicable). The APB is part of the Consolidated Acquisition Reporting System (CARS). The PM shall use CARS to prepare the APB (see Appendix 1).

APB Content

APB parameter values shall represent the program as it is expected to be produced or deployed. In the case of delivering systems under an evolutionary acquisition strategy, the APB shall include parameters for the next block and, if known, for follow-on blocks. The APB shall contain only those parameters that, if thresholds are not met, will require the MDA to reevaluate the program and consider alternative program concepts or design approaches. The following considerations apply:

Performance.

The total number of performance parameters shall be the minimum number needed to characterize the major drivers of operational performance (including effectiveness and support), interoperability, schedule, and cost. This minimum

number shall include the key performance parameters (KPPs) identified in the ORD. The value of a threshold or objective in the APB shall not differ from the value for a like threshold or objective in the ORD, and their definitions shall be consistent. The MDA may add additional performance parameters not validated by the JROC. The number and specificity of performance parameters increase with time. Early in a program the PM shall use a minimum number of broadly defined, operational-level, measures of effectiveness or performance to describe needed capabilities. As program, system level requirements become better defined, the PM may designate a limited number of additional, specific, program parameters, as necessary.

Schedule.

Schedule parameters shall minimally include dates for program initiation, major decision points, and the attainment of initial operating capability. The PM may propose, for MDA approval, other, specific, critical, system events, as necessary. In accordance with *10 USC 181*⁹ the JROC shall evaluate program schedule criteria, including critical schedule dates, for ACAT I programs.

Cost.

Cost parameters shall identify TOC (broken-out into direct costs: research, development, test, and evaluation costs; procurement costs; military construction costs; operations and support costs (to include training); and the costs of acquisition items procured with operations and maintenance funds, if applicable; indirect costs attributable to the systems; and infrastructure costs not directly attributable to the system); total quantity (including both fully configured development and production units) costs; average procurement unit cost (defined as the total procurement cost divided by total procurement quantity); program acquisition unit cost (defined as the total of all acquisition related appropriations divided by the total quantity of fully configured end items); and other cost objectives designated by the MDA. The PM shall present cost figures in base year dollars. Cost figures shall initially reflect realistic estimates of the total program, including a thorough assessment of risk. As the program progresses, the PM shall refine procurement costs based on contractor actual (return) costs from component advanced development, system integration, and system demonstration, as available, and from low-rate initial production. The PM shall include the refined estimate in the next required submittal of the APB. Budgeted amounts shall not exceed the total cost threshold in the APB. For ACAT IA programs, ACAT I cost parameters shall apply with the addition of military pay and the costs of acquisition items procured with Defense Working Capital Funds. The JROC shall evaluate program cost criteria for ACAT I programs (*10 USC 181*¹⁰).

4.2.3 How will performance measure support continuous improvement, i.e., cost, product/service, and process?

The individual PEO/PM's will utilize the data gathered from the individual performance plans to continuously improve operational processes, cost and service. The actual measures to support continuous improvements will be prepared by the PEO/PM's.

4.2.4 How will performance measures be linked to strategic goals and objectives (i.e., Balanced Scorecard or other)? ?

The individual PEO/PM's will utilize and link strategic goals and objectives to performance measures that are relevant to the individual PEO/PM's. Every acquisition program shall establish program goals—thresholds and objectives—for the minimum number of cost, schedule, and performance parameters that describe the program over its life cycle. Program goals shall be linked to the DoD Strategic Plan and other appropriate subordinate strategic plans, such as Component and Functional Strategic Plans and the Strategic Information Resources Management Plan (*Paperwork Reduction Act of 1995*).

4.3 Indicate how your Cost Management / ABC program will be sustained and improved.

The individual PEO/PM's will utilize and link strategic goals and objectives to performance measures that are relevant to the individual PEO/PM's. As the PEO/PM is familiarized with the strengths and weaknesses of CM/ABC, the individual PEO/PM's will make improvements as deemed necessary.

4.4 Explain how you will provide training support for, model building, implementation, and sustainment (In-house, Army Audit Agency, or contractor support, etc.)

Key personnel from each PEO/PM implementing ABC will be offered training through the Center for Economic Analysis (CEAC) on ABC, ABC software, and the Balance Scorecard concepts. The training will be provided by a group of contract employees (centrally funded by CEAC) on a one-time basis for key personnel identified (to be designated by the individual PEO/PM offices).

Section V: Special Considerations

5.1 List Business-Area-unique requirements (software/hardware/training)

Acquisition programs have a requirement to adhere to the DoD Directive 5000.1, DoD Instruction 5000.2, Title 10; Unbited States Code; Section 2220

5.2 Identify any implementation constraints or obstacles specific to your Business Area

None

5.3 Specifically describe how your Cost Measurement/ABC or other Cost Management activities that will relate to and support VAMOSC:

Not applicable. Our business area is not associated with the operating and support of Army weapon systems.

¹ References: (a) DoD Directive 5000.1, "Defense Acquisition System," October 23, 2000
(b) DoD Instruction 5000.2, "Operation of the Defense Acquisition System," October 23, 2000

² D DoD Instruction 5000.2, "Operation of the Defense Acquisition System," October 23, 2000

³ Title 5, United States Code, 306, Strategic Plans (part of Government Performance and Results Act (GPRA))

⁴ Clinger-Cohen Act of 1996 (in P.L. 104-106), 5123, Performance And Results-Based Management

⁵ Title 10, United States Code, Section 2435(b), Baseline description

⁶ Title 10, United States Code, Section 2220(a)(1), Performance based management: acquisition programs

⁷ Title 10, United States Code, Section 2435, Baseline description

⁸ Title 10, United States Code, Section 2220(a)(2), Performance based management: acquisition programs

⁹ Title 10, United States Code, Section 181, Joint Requirements Oversight Council

¹⁰ Title 10, United States Code, Section 181, Joint Requirements Oversight Council

**Business Area: Acquisition Process
Cost Management/ABC Implementation Plan**

APPENDIX A

The below excerpts have been extracted from Chapter 7. For complete guidance, refer to the DoD 5000 series. Any changes to the DoD 5000 series supercedes requirements identified in this plan.

Decision Points

There are three types of decision point: milestones, decision reviews, and interim progress reviews. Each decision point results in a decision to initiate, continue, advance, or terminate a project or program work effort or phase. The review associated with each decision point shall typically address program progress and risk, affordability, program trade-offs, acquisition strategy updates, and the development of exit criteria for the next phase or effort. The type and number of decision points shall be tailored to program needs. The Milestone Decision Authority (MDA) shall approve the program structure as part of the acquisition strategy.

Executive Review Procedures

The following sections detail procedures for the assessment reviews associated with major decision points.

Defense Acquisition Board (DAB) Review

The DAB shall advise the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) on critical acquisition decisions. The USD(AT&L) shall chair the DAB, and the Vice Chairman of the Joint Chiefs of Staff (VCJCS) shall serve as vice-chair.

The reviews shall focus on key principles to include interoperability, time-phased requirements related to an evolutionary approach, and demonstrated technical maturity. DAB reviews, and milestones in particular, typically require extensive supporting documentation, per *DoDI 5000.2, Enclosure 3* (reference (b)).

The program manager (PM) shall brief the acquisition program to the DAB and specifically emphasize technology maturity, risk management, affordability, critical program information, technology protection, and rapid delivery to the user. The PM shall address any interoperability and supportability requirements linked to other systems, and indicate whether those requirements will be satisfied by the acquisition strategy under review. If the program is part of a system-of-systems architecture, the PM shall brief the DAB in that context. If the architecture includes less than ACAT I programs that are key to achieving the expected operational capability, the PM shall also discuss the status of and dependence on those programs.

DoD CIO Reviews

DoD CIO Reviews shall provide the forum for ACAT IAM milestones. The DoD CIO shall conduct reviews to decide critical ACAT IAM issues when they cannot be resolved at the Information Technology

(IT) OIPT level, and at other times, as directed by the DoD CIO. An ADM shall typically document the decision(s) resulting from the review.

Exit Criteria

MDAs shall use exit criteria to establish goals for ACAT I (10 USC 2220(a)(1)ⁱ) and ACAT IA (CCAⁱⁱ) programs during an acquisition phase. At each milestone decision point and at each decision review, the PM shall propose exit criteria appropriate to the next phase or effort of the program. The MDA shall approve and publish exit criteria in the ADM.

Phase-specific exit criteria normally track progress in important technical, schedule, or management risk areas. The exit criteria serve as accomplishments that, when successfully achieved, demonstrate that the program is on track to achieve its final program goals. They shall be a factor in the MDA's determination of whether a program should continue with additional activities within the same acquisition phase, or continue into the next phase. Exit criteria shall not be part of the APB and are not intended to repeat or replace APB requirements or the entrance criteria specified in *DoDI 5000.2* (reference (b)). They shall not cause program deviations. The Defense Acquisition Executive Summary (DAES) (see 0 and Appendix A) shall report the status of exit criteria.

Technology Maturity

Technology maturity shall measure the degree to which proposed critical technologies meet program objectives. Technology maturity is a principal element of program risk. A technology readiness assessment shall examine program concepts, technology requirements, and demonstrated technology capabilities to determine technological maturity.

The PM shall identify critical technologies via the work breakdown structure (WBS). Technology readiness assessments for critical technologies shall occur sufficiently prior to milestone decision points B and C to provide useful technology maturity information to the acquisition review process.

Integrated Product Teams (IPTs) in the Oversight and Review Process

Defense acquisition works best when all of the Department's Components work together. Cooperation and empowerment are essential. The Department's acquisition community shall implement the concepts of Integrated Product and Process Development (IPPD) and IPTs as extensively as possible.

Cost/Performance IPT (CPIPT)

ACAT ID and ACAT IAM (as required) programs shall establish a Cost/Performance IPT (CPIPT). The PM, supported by the CPIPT, shall conduct and integrate all program cost and performance trade-off analyses. The empowered CPIPT may effect performance or engineering and design changes provided they do not violate threshold values in the ORD and Acquisition Program Baseline (APB). If the changes require ORD or APB threshold value changes, the PM shall notify the OIPT leader. The PM shall quickly bring proposed changes before the ORD and/or APB approval authorities for decision. Prior to each major decision point, the PM shall report the CPIPT cost and

performance findings to the OIPT leader and brief their relationship to the program baseline.

Independent Assessments

Assessments, independent of the developer and the user, ensure an impartial evaluation of program status. Consistent with statutory requirements and good management practice, DoD shall require independent assessments of program status (e.g., the independent cost estimate or technology readiness assessment). Senior acquisition officials shall consider these assessments when making acquisition decisions. Staff offices that provide independent assessments shall support the orderly and timely progression of programs through the acquisition process. IPTs shall have access to independent assessments to enable full and open discussion of issues.

Component Programs

The decision review processes discussed in this section deal specifically with ACAT ID and ACAT IAM programs. CAEs shall develop similar tailored procedures for programs under their cognizance.

Program Information

It shall be Department policy to keep reporting requirements to a minimum. Nevertheless, complete and current program information is essential to the acquisition process. Consistent with the tables of required regulatory and statutory information appearing in *DoDI 5000.2* (reference (b)), decision authorities shall require PMs and other participants in the defense acquisition process to present only the minimum information necessary to understand program status and make informed decisions. The MDA shall “tailor-in” program information case-by-case, as necessary. IPTs shall facilitate the management and exchange of program information.

The PM, DoD Component, or OSD staff prepares most program information. Some information requires approval by an acquisition executive. Other information is for consideration only. In most cases, information content and availability is more important than format. This regulation clearly identifies the few mandatory document formats.

Cost Analysis Improvement Group Procedures*

Responding to *10 USC 2434ⁱⁱⁱ*, *DoDD 5000.4^{iv}* charts the OSD Cost Analysis Improvement Group (CAIG) to provide independent program cost estimates. The DoD Component responsible for acquisition of a system shall cooperate with the CAIG and provide the cost, programmatic, and technical information required to estimate costs and appraise cost risks. The component shall also facilitate CAIG staff visits to the program office, product centers, test centers, and system contractor(s).

The following guidance shall apply to ACAT ID programs (and ACAT IC, as requested by the USD(AT&L)) preparing for (1) a Milestone B or C review; (2) the decision review prior to entering full-rate production and deployment; or (3) any other decision point as directed by the USD(AT&L):

- The PM and component shall provide draft life-cycle cost estimates to the CAIG at least 45 calendar days

before the scheduled OIPT or, as applicable, the component review meeting.

- The PM and component shall provide life-cycle cost estimates and/or component cost positions to the OSD CAIG at least 21 calendar days before the scheduled OIPT or component review meeting. The CAIG shall provide feedback based on independent review of the life-cycle cost estimate(s), validating the methodology used to estimate costs and determining whether the estimate(s) require additional analysis.
- The PM and component shall provide final life-cycle cost estimates and/or component cost positions to the OSD CAIG at least 10 calendar days before the scheduled OIPT or component review meeting.

* Not applicable to ACAT IA programs.

Management Control

PMs shall implement internal management controls in accordance with *DoDD 5000.1* (reference (a)), *DoDI 5000.2* (reference (b)), this regulation, and *DoDD 5010.38*^v. APB parameters shall serve as control objectives. PMs shall identify deviations from approved APB parameters and exit criteria as materiel weaknesses. PMs shall focus on results, not process.

PMs shall ensure that obligations and costs comply with applicable law. They shall safeguard assets against waste, loss, unauthorized use, and misappropriation; properly record and account for expenditures; maintain accountability over assets; and quickly correct identified weaknesses.

Periodic Reporting

Periodic reports shall include only those reports required by the MDA or statute. Except for the reports outlined in this section, the MDA shall tailor the scope and formality of reporting requirements.

Program Plans

Program plans describe the detailed activities of the acquisition program. In coordination with the PEO, the PM shall determine the type and number of program plans needed to manage program execution. Decision authorities shall not require approval of program plans, except by the PM, for other than the TEMP and C4ISP. Program plans shall not serve as decision point documentation or periodic reports.

APB Reporting

PMs shall report the current estimate each APB parameter periodically to the MDA. The MDA shall direct the frequency of the reporting. PMs shall report current estimates for ACAT I and IA programs quarterly in the Defense Acquisition Executive Summary (DAES).

DAES -- DD ACQ(Q)1429

The DAES is a multi-part document, reporting program information and assessments; PM, PEO, CAE comments; and cost and funding data. The DAES shall be an early-warning report to the USD(AT&L) and ASC(C3I). The DAES describes actual program problems, warns of potential program problems, and describes mitigating actions taken. The PM may obtain permission from USD(AT&L) or

ASC(C3I), as appropriate, to tailor DAES content . At minimum, the DAES shall report program assessments, unit costs (*10 USC 2433^{vi}*), and current estimates. It shall report the status of exit criteria and vulnerability assessments (*FMFIA^{vii}*).

The DAES shall present total costs and quantities for all years, as projected, through the end of the current acquisition phase. In keeping with the concept of total program reporting, the DAES shall present best estimates for costs beyond the Future Years Defense Program (FYDP), if the FYDP does not otherwise identify those costs. The total program concept refers to system acquisition activities from Concept and Technology Development through Production and Deployment. The DAES shall report approved program funding for programs that are subsystems to platforms and whose procurement is reported in the platform budget line.

Consistency of DAES Information

DAES information shall be consistent with that in the latest ADM, APB, and other mandatory or approved program documentation.

Selected Acquisition Reports (SARs) DD-COMP (Q&A) 823*

In accordance with *10 USC 2432^{viii}*, the PM shall submit a SAR to Congress for all ACAT I programs. The PM shall use CARS software to prepare the SAR.

SAR Content and Submission

The SAR shall report the status of total program cost, schedule, and performance; as well as program unit cost and unit cost breach information. For joint programs, the SAR shall report the information by participant. Each SAR shall include a full, life-cycle cost analysis for the reporting program, each of its evolutionary blocks, as available, and for its antecedent program, if applicable.

SAR Waivers

The Secretary of Defense may waive the requirement for submission of SARs for a program for a fiscal year if:

- the program has not entered system development and demonstration;
- a reasonable cost estimate has not been established for the program; and,
- the system configuration for the program is not well defined.

As delegated by the Secretary of Defense, the USD(AT&L) shall submit a written notification of each waiver for a fiscal year to the Armed Services Committees of the Senate and House of Representatives not later than 60 days before the President submits the budget to Congress, pursuant to *31 USC 1105^{ix}*, in that fiscal year.

Unit Cost Reports (UCR) COMP (Q&AR) 1591*

In accordance with *10 USC 2433^{vi}*, the PM shall prepare UCRs for all ACAT I programs submitting SARs, except pre-Milestone B programs reporting RDT&E costs only.

Unit Cost Content and Submission

The PM shall submit a written report on the unit costs of the program to the CAE on a quarterly basis. The written report shall be in the DAES. The PM shall submit the report by the last working day of the quarter, in accordance with DAES submission procedures. Reporting shall begin with submission of the initial SAR, and terminate with submission of the final SAR. Each report shall include the current estimate of the PAUC and the APUC (in base-year dollars); cost and schedule variances, in dollars, for each of the major contracts since entering the contract; and all changes that the PM knows or expects to occur to program schedule or performance parameters, as compared to the currently approved APB.

Program Assessments

ACAT I Programs

The Director, Acquisition Resources and Analysis shall determine, at the end of each fiscal year and for each program separately, if, as of the last day of the fiscal year, more than 10 percent of the total aggregate number of cost, schedule, and performance parameters for that program are breached against the APB threshold (*10 USC 2220(b)^x*). If more than ten percent of thresholds are breached, for ACAT IC programs the appropriate CAE or a delegated representative (for ACAT IC programs), or the appropriate OIPT Leader or a delegated representative (for ACAT I ID programs), shall conduct a timely review of the affected program. In conducting that review, the CAE or the OIPT Leader, together with the Vice Chairman of the Joint Chiefs of Staff, shall determine whether there is a continuing need for the program, and shall recommend to the USD(AT&L) suitable actions to be taken, including termination, with respect to such program (*10 USC 2220(c)^x*).

ACAT IA Programs

Based on the data provided in the latest DAES report, the Deputy DoD CIO will determine whether any ACAT IA program, or any phase or increment of such program, has significantly deviated from the cost, performance, or schedule goals established for that program. If the Deputy DoD CIO determines that a significant deviation has occurred, the appropriate Component CIO or CAE, and for ACAT IAM programs, the IT OIPT Leader or designee, shall conduct a timely review of the affected ACAT IA program. In conducting that review, the Component CIO or CAE and the OIPT Leader, together with the cognizant PSA, shall determine whether there is a continuing need for the program that is sufficiently behind schedule, over budget, or not in compliance with performance or capability requirements, and shall recommend to the DoD CIO suitable actions to be taken, including termination, with respect to such program. The DoD CIO will also report significant deviations of ACAT IA programs to the Office of Management and Budget as required by Section 5127 of the Clinger-Cohen Act (*40 USC 1427^{xii}*).

Contract Management Reports

Acquisition participants shall use the reports prescribed by this section for all applicable defense contracts. These reports ensure effective defense acquisition management. Participants shall use electronic media unless disclosure of this information would compromise national security. The WBS used to prepare these reports shall conform to the program WBS. Except for high-cost or high-risk elements, the

required level of reporting detail shall be limited to level three of the contract WBS.

Contractor Cost Data Reporting (CCDR)*

CCDR is DoD's primary means of collecting data on the costs that DoD contractors incur in performing DoD programs. This data enables reasonable ACAT I program cost estimates and satisfies other analytical requirements. The Chair, CAIG, shall prescribe a format for submission of CCDRs. The Chair shall prescribe CCDR system policies and monitor implementation to ensure consistent and appropriate application throughout the DoD.

CCDR coverage shall extend from Milestone B or equivalent to the completion of production in accordance with procedures described in this section. Unless waived by the Chair, CAIG, CCDR reporting is required on all major contracts and subcontracts, regardless of contract type, for ACAT I programs valued at more than \$42 million (FY 2000 constant dollars). CCDR reporting is not required for contracts priced below \$6.5 million. The CCDR requirement on high-risk or high-technical-interest contracts priced between \$6.5 and \$42 million is left to the discretion of the Cost WIPT.

A cost-effective reporting system requires tailoring the CCDR plan and appropriately defining the program WBS. Consistent with contractors may participate in the IPT process.

Cost Performance Report (CPR)

DID DI-MGMT-81466 (DoD 5010.12-L^{xliii})

The PM shall obtain a CPR (DD Form 2734/1, 2734/2, 2734/3, 2734/4, and 2734/5) on all contracts that require compliance with Earned Value Management Systems (EVMS) guidelines and Appendix D). This report provides contract cost and schedule performance for program management. It also provides early indications of both contract cost and schedule problems and the effect of implemented management actions to resolve such problems. PMs shall use DID DI-MGMT-81466 to obtain the CPR. The following guidance applies:

- Flexibly-priced (e.g., fixed-price incentive or cost type) contracts that do not require compliance with EVMS guidelines, but for which the DoD Components require more data than is available on the Cost/Schedule Status Report (see 0) may require CPRs. CPR formats, level of detail, frequency, and variance analysis shall be limited to the minimum necessary for effective management control.
- Firm fixed price contracts shall not require CPRs unless unusual circumstances dictate cost and schedule visibility.
- Systems used for internal contractor management shall summarize and report data for the CPR.
- The PM shall tailor the CPR to the minimum required data. The contracting officer and contractor shall negotiate and specify all reporting provisions in the contract, including reporting frequency, variance analysis requirements, and the contract WBS to report.
- The CPR shall be a primary means of documenting the on-going communication between the contractor and the PM to report cost and schedule trends to date, and to permit assessment of their likely effect on future performance on the contract.

- CPRs shall be provided via electronic methods, such as electronic access to contractors' internal data bases, or via Electronic Data Interchange (EDI) using the American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 transaction set for Project Cost Reporting (839).

Cost/Schedule Status Report (C/SSR)
DID DI-MGMT-81467 (DoD 5010.12-L^{xiii})

The PM shall obtain a C/SSR (DD Form 2735) on contracts over 12 months in duration, when the CPR does not apply. The C/SSR provides contract cost and schedule performance information for program management. The C/SSR has no specific application thresholds; however, the PM shall carefully evaluate application to contracts of less than \$6.3 million (FY 2000 constant dollars). The PM shall require only the minimum information necessary for effective management control. Firm fixed price contracts shall not require the C/SSR unless unusual circumstances dictate cost and schedule visibility. PMs shall use DID DI-MGMT-81467 to obtain the C/SSR.

ⁱ Title 10, United States Code, Section 2220, "Performance based management: acquisition programs," Paragraph (a), "Establishment of Goals"

ⁱⁱ Clinger-Cohen Act (CCA) of 1996 (in P.L. 104-106), Section 5123, "Performance And Results-Based Management"

ⁱⁱⁱ Title 10, United States Code, Section 2434, "Independent cost estimates; operational manpower requirements"

^{iv} DoD Directive 5000.4, *OSD Cost Analysis Improvement Group*, November 24, 1992 (Change 1)

^v DoD Directive 5010.38, *Internal Management Control Program*, October 3, 1988 (Change 1)

^{vi} Title 10, United States Code, Section 2433, "Unit cost reports"

^{vii} Public Law 97-255, *Federal Managers Financial Integrity Act of 1982*

^{viii} Title 10, United States Code, Section 2432, "Selected Acquisition Reports"

^{ix} Title 31, United States Code, Section 1105, "Budget contents and submission to Congress"

^x Title 10, United States Code, Section 2220, "Performance based management: acquisition programs," Paragraph (b), "Annual Reporting Requirement"

^{xi} Title 10, United States Code, Section 2220, "Performance based management: acquisition programs," Paragraph

(c), "Performance Evaluation"

^{xii} Title 40, United States Code, Section 1427, "Significant deviations"

^{xiii} DoD 5010.12-L, *Acquisition Management Systems and Data Requirements Control List*, October 1993